

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6-13-07

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
University of New Orleans
Research and Technology Foundation, Inc.
New Orleans, Louisiana

We have audited the accompanying statement of financial position of the **University of New Orleans Research and Technology Foundation, Inc.** (a non-profit organization) as of June 30, 2006, and the related statements of activities, functional expenses and cash flows for the year then ended June 30, 2006. These financial statements are the responsibility of the management of the **University of New Orleans Research and Technology Foundation, Inc.** Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **University of New Orleans Research and Technology Foundation, Inc.** as of June 30, 2006, and the changes in its net assets, and its cash flows for the year then ended June 30, 2006 in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
University of New Orleans
Research and Technology Foundation, Inc.
New Orleans, Louisiana
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In accordance with Government Auditing Standards, we have also issued a report dated August 31, 2006 on our consideration of the **University of New Orleans Research and Technology Foundation's, Inc.** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

August 31, 2006

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2006**

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 599,033
Investments	4,499,890
Accounts receivable, net	1,645,718
Deferred charges and prepaid expenses	339,215
Other current assets	21,676
Total current assets	<u>7,105,532</u>
Noncurrent Assets	
Property and equipment, net	<u>67,510,098</u>
Total noncurrent assets	<u>67,510,098</u>
Total assets	<u><u>\$ 74,615,630</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 840,213
Deferred revenues	338,697
Amounts held in custody for others	51,004
Interest Payable	471,523
Current portion of notes payable	155,840
Current portion of bonds payable	790,000
Other current liabilities	19,112
Total current liabilities	<u>2,666,389</u>
Noncurrent Liabilities	
Notes payable, net of current portion	<u>7,391,011</u>
Total noncurrent liabilities	<u>7,391,011</u>
Total liabilities	<u>10,057,400</u>
NET ASSETS	
Unrestricted-invested in capital assets, net of related debt	58,627,305
Unrestricted	5,930,925
Total Net Assets	<u>64,558,230</u>
Total Liabilities and Net Assets	<u><u>\$ 74,615,630</u></u>

The accompanying notes are an integral part of these financial statements.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Revenues and Support:	
Contributions	\$ 302,961
Investment earnings	246,649
Grants and contracts	6,242,879
Property operations (Notes 13 and 14)	1,497,978
Other revenues	<u>1,640,642</u>
Total unrestricted revenues and other support	<u>9,931,109</u>
Expenses:	
Amounts paid to benefit University of New Orleans for:	
Projects specified by the Board of Directors	37,564
Other:	
Grants and contracts	2,864,901
Property Operations	<u>3,065,739</u>
Total program expenses	<u>5,968,204</u>
Supporting services:	
Salaries and benefits	185,272
Travel	6,537
Professional services	577,133
Depreciation	2,397,862
Other	<u>2,534,217</u>
Total supporting services	<u>5,701,021</u>
Total expenses	<u>11,669,225</u>
Increase/(decrease) in unrestricted net assets	(1,738,116)
Net assets at beginning of year	<u>66,296,346</u>
Net assets at end of year	<u>\$64,558,230</u>

The accompanying notes are an integral part of these financial statements.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006**

	Management and General	Teleplex	Research and Technology Park	UNO/Avondale Maritime Technology Center of Excellence	UNO/Naval Reserve Information Systems Office	Advanced Technology Center	Center for Energy Resource Management	Technology Transfers/ Grants and Contracts	Total
Travel	\$ 6,537	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,771	\$ 18,308
Advertising	3,644	-	-	-	-	-	-	-	3,644
Amortization & Depreciation	2,397,862	-	-	-	-	-	-	-	2,397,862
Teleplex Casualty Loss	2,476,013	-	-	-	-	-	-	-	2,476,013
Interest Expense-Bond payment	15,358	-	-	70,507	-	597,291	-	-	683,156
Rentals & Leases	5,887	-	75,857	-	67,888	77,235	-	136,323	363,190
Membership Due	3,503	-	-	-	-	-	-	85	3,588
Telephone	11,910	-	-	-	5,827	4,018	19,171	2,376	43,302
Office Supplies & Services	11,045	-	512	-	3,542	448	-	3,060	18,607
Equipment	13,484	-	-	-	-	-	-	-	13,484
Accounting & Auditing Fees	37,456	-	36,000	10,060	120,000	23,550	31,352	51,730	310,148
Salary Expense - G & A	185,272	-	-	-	147,629	59,344	30,361	85,944	508,550
Cultivation - Donations G&A	8,098	-	-	-	-	-	-	-	8,098
Legal	8,606	113	-	-	-	-	11,031	73,099	92,849
Contract Services	531,071	306	-	-	-	-	1,550	2,465,592	2,998,519
Fees & Registrations	13,410	-	-	-	-	-	-	1,084	14,494
Official Functions	1,323	-	-	-	-	-	-	2,746	4,362
Transfer to University	6,841	-	-	-	158	135	-	30,723	37,564
Contract Cleaning	-	-	-	-	-	-	-	-	104,870
Repairs & Maintenance	1,265	-	11,572	-	55,766	32,465	5,067	-	550,233
Monthly Contract /Monitor	-	-	135,342	-	373,332	18,435	21,859	-	715,844
Utilities	-	-	132,535	-	581,315	864	1,130	-	302,540
	-	-	188,760	-	-	113,412	-	368	
Total Expenses	\$ 5,738,585	\$ 419	\$ 580,578	\$ 80,567	\$ 1,355,457	\$ 927,197	\$ 121,521	\$ 2,864,901	\$ 11,669,225

The accompanying notes are an integral part of these financial statements.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

Cash flows from operating activities	
Change in Net Assets	\$ (1,738,116)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization expense	2,301,133
Amortization of deferred equipment reimbursement	(431,760)
Amortization of discount on notes payable	98,653
Write-off of Construction in progress related to cancelled construction project	793,413
(Increase) decrease in accounts and grants receivable, net	(493,468)
(Increase) decrease in other assets	(279,397)
Increase (decrease) in accounts and interest payable	(179,081)
Increase (decrease) in deferred revenues	287,519
Increase (decrease) in deferred charges	39,476
Increase (decrease) in amounts held in custody for others	(631)
Increase (decrease) in other liabilities	19,112
Net cash provided by operating activities:	<u>416,853</u>
Cash flows from investing activities	
Proceeds from sales and maturities of investments	<u>3,191,038</u>
Net cash provided by investing activities	<u>3,191,038</u>
Cash flows from financing activities	
Principal paid on bonds	(3,945,000)
Principal paid on notes	<u>(144,926)</u>
Net cash used by financing activities	<u>(4,089,926)</u>
Net increase (decrease) in cash and cash equivalents	<u>(482,035)</u>
Cash and cash equivalents at beginning of the year	<u>1,081,068</u>
Cash and cash equivalents at the end of the year	<u>\$ 599,033</u>

The accompanying notes are an integral part of these financial statements.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - Organization:

The University of New Orleans Research and Technology Foundation, Inc. (the Foundation) was organized on March 3, 1997 as a non-profit organization to accomplish the following purposes:

- A. As its principal purpose, to support any and all appropriate programs, facilities and research and educational opportunities offered by the University of New Orleans (the "University") and the Louisiana State University System ("the LSU System");
- B. To promote and support the well-being and advancement of the University and all the colleges, schools, departments, and divisions comprising it, and to develop, expand, and improve the University's curricula, programs, and facilities so as to provide greater educational advantages and opportunities; encourage teaching, research, scholarship, and service, and increase the University's benefits to the citizens of the State of Louisiana, the United States of America and the world;
- C. To engage in scientific research carried on for the purpose of aiding a community or geographical area by attracting new industry to the community or area or by encouraging the development of or retention of, an industry in the community or area;
- D. To promote the development of high technology industries and research in Louisiana;
- E. To create, develop, construct, operate, manage and finance one or more research and technology parks, technology enterprise centers and other facilities and operations which promote development of research, development and high technology in Louisiana;

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

NOTE 1 - Organization, Continued:

- F. To increase employment opportunities in Louisiana;
- G. To promote research and development in Louisiana;
- H. To promote cooperation between the public and private sector with respect to research and development;
- I. To attract nationally prominent scientists and researchers to the University;
- J. To maximize research capabilities in Louisiana;
- K. To solicit and accept, whether by way of outright, limited or conditional gifts, grants and bequests, in trust or otherwise, donations of all kinds, including property, both real and personal, whether principal or income, tangible or intangible, vested or contingent, for the purpose of providing funds or property for the general purposes of the corporation and for research, instructional activities, scholarships, public service activities, and such other designated benefits for the University and its faculty, staff and students as may be prescribed by donors or testators to the corporation;
- L. To exercise all such powers and authority as may be necessary for the accomplishment of the objects and purposes herein set forth and to do any and all other things related to or connected therewith which are not forbidden by law.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies:

Principles of Accounting

The financial statements are prepared in accordance with generally accepted accounting principles and are prepared on the accrual basis. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Reporting

SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories (i.e. unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) according to externally (donor) imposed restrictions.

A description of the three (3) net asset categories is as follows:

- Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of the Foundation are included in this category. The Foundation has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Foundation, and therefore, the Foundation's policy is to record these net assets as unrestricted. Also, the Foundation considers the revenues received from the Cooperative Endeavor Agreements (the Agreements) to be exchange transactions, since each party to the Agreements receive and sacrifice something of approximately equal value.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies , Continued:

Basis of Reporting, Continued

- Temporarily restricted net assets include realized gains and losses, investment income and gifts and contributions for which donor imposed restrictions have not been met.
- Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor imposed restrictions.

At June 30, 2006, **the Foundation** had \$64,558,230 in unrestricted net assets, of which \$58,627,305 was invested in capital assets, net of related debt. There were no temporary or permanently restricted net assets.

Fixed Assets

Fixed assets are stated at cost, if purchased, or at fair market value at the date of the gift, if donated. Depreciation of the buildings and office furniture and equipment is provided using the straight-line method over the estimated useful life of the fixed assets which is forty (40) and five (5) years, respectively. Equipment acquired under capital leases are depreciated over the life of the equipment which is five (5) years.

Cash Equivalents

For purposes of the Statement of Cash Flows, **the Foundation** considers all investments purchased with a maturity of three months or less to be cash equivalents.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Deferred Charges/Deferred Reimbursement

Deferred charges represent software and labor costs incurred for the installation of the data processing equipment. Deferred reimbursements represent amounts received from a third party for the reimbursement of aforementioned deferred charges. Such costs and reimbursements are being amortized over five years. Amortization income, which is net of the amortization expense, totaled \$336,835 at June 30, 2006. The amortization of the reimbursement totaled \$433,563 at June 30, 2006.

Bond Issuance Costs

Bond issuance costs incurred in relationship to the bond indebtedness has been capitalized and amortized over the life of the bond liability which range from three years to seven years. Amortization expense for the year ended June 30, 2006 totaled \$57,252.

Note Payable

During the year ended December 31, 1999, the Foundation received a non-interest bearing loan in the amount of \$1,500,000. The present value concept was utilized to determine the initial amount of the discount (\$1,011,313) which is amortized over the life of the loan utilizing the interest method. The balance of the discount at June 30, 2006 totaled \$545,942.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3 - Cooperative Endeavor Agreements:

University of New Orleans/
Avondale Maritime Technology Center of Excellence

General

On May 16, 1997, the State of Louisiana (the State), the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (the University), the **University of New Orleans Research and Technology Foundation, Inc. (the Foundation)**, and Avondale Industries, Inc. entered into a Cooperative Endeavor Agreement (the Agreement) for an initial term of fifteen years, and from one-to-seven additional five year periods.

The Agreement and related amendment provided for the use of annually appropriated State funds and the corporate guarantee by Avondale of certain financial obligations incurred by **the Foundation** for the purpose of enhancing or maintaining the economic well-being of the State of Louisiana. As a material inducement to the State to enter into the Agreement, Avondale represented that it was awarded a contract for the construction of certain U. S. Department of Navy vessels which will provide a substantial economic benefit to the State. **The Foundation** and Avondale represented that the economic benefit occurring as a result of the payment or performance of the State's obligation will equal or exceed the value of the State's obligations.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Cooperative Endeavor Agreements, Continued:

University of New Orleans/
Avondale Maritime Technology Center of Excellence, Continued

Obligations

Avondale donated certain property to the University which is leased to the Foundation pursuant to the terms of a Ground Lease. A ship design facility including a laboratory and support area (the Facility) for the UNO School of Naval Architecture and Marine Engineering has been built on such property by **the Foundation** and is sub-leased to Avondale. Also, **the Foundation** has equipped the facility and leased such equipment to Avondale.

The State of Louisiana will pay to **the Foundation** no more than the remaining present value of \$40,000,000, which amount may be paid in one or more installments on or before September 1 of each year as follows:

On or before September 1, 2006	\$ 796,598
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The Foundation shall submit to the State of Louisiana on or before November 1, documentation supporting the amount to be appropriated for the immediately following year in satisfaction of the State's obligation. On July 1, 2006, **the Foundation** submitted a request totaling \$796,598 to the State of Louisiana's Department of Economic Development for the 2006 funding. Such amount was received in July 2006.

Additionally, Avondale agreed that:

- It will utilize the Facilities for the design and construction of Vessels pursuant to the Navy LPD-17 Contract and other contracts. Avondale agrees that it will fulfill its obligations pursuant to said NAVY LPD-17

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Cooperative Endeavor Agreements, Continued:

University of New Orleans/
Avondale Maritime Technology Center of Excellence, Continued

Contract and other contracts. Furthermore Avondale agrees that it will provide support to the University of New Orleans School of Naval Architecture and Marine Engineering by providing to the University a Right of Use of space constituting initially 12,000 square feet was increased to 21,000 square feet in the Facility subleased by Avondale from the Foundation.

- In the event the costs of the project required to be expended by the **Foundation** in constructing the facility and acquiring the equipment exceed the amounts paid by the State, Avondale will pay to the **Foundation** the amounts required for the **Foundation** to fulfill the obligations to construct and equip the facility.

Navy Information Technology Center

On November 14, 1997, May 1, 1999, and May 17, 2000 the State of Louisiana and the Louisiana Department of Economic Development (the State), the University and the **Foundation** entered into three separate Cooperative Endeavor Agreements (the Cooperative Agreements) with each agreement having a term of three years.

The Cooperative Agreements provide for the use of State funds to pay for project costs associated with the planning, financing and construction of buildings, professional fees and other project costs for the Navy Information Technology Center located in Orleans Parish. Such facilities will accommodate the consolidation of the Navy and Department of Defense Military personnel systems research and development and Navy information systems. As a material inducement to the State to enter into the Cooperative Agreements, the **Foundation** represented that certain economic benefits would be derived from the Naval Consolidation which will equal or exceed the value of the State's obligation under the terms of the Cooperative Agreements.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Cooperative Endeavor Agreements, Continued:

Louisiana Educational Television Authority

General

On February 15, 2002, the State of Louisiana, the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College, Louisiana Educational Television Authority (LETA), The Greater New Orleans Educational Television Foundation (WYES-TV), The Educational Broadcasting Foundation, Inc. (WLAE-TV) and **the Foundation** entered into a Cooperative Endeavor Agreement.

The Cooperative Agreement provides for the development of a state of the art digital facility known as, The New Orleans Teleplex, which will be capable of broadcasting in high definition television. This facility is expected to create a positive economic impact for the New Orleans area.

LETA made an initial payment of \$500,000 to **the Foundation**, through an appropriation by the State Legislature in 2001, for the development phase of the Teleplex. As of June 30, 2006, **the Foundation** has received a total of \$2,500,000 from LETA to fund planning and development costs. WYES-TV and WLAE-TV have pledged to provide an aggregate of \$3,000,000 towards the construction of the Teleplex and an aggregate \$1,000,000 toward equipping the Teleplex as a joint obligation. During the year ended 2006, WLAE, one of the broadcast entity parties to the Cooperative Endeavor Agreement for which the project was designed, withdrew from the Teleplex Project for programmatic and financial reasons. **The Foundation** consulted with the Louisiana Public Broadcasting (LPB) and LPB determined that the project was no longer feasible as conceived and designed because of the withdrawal of WLAE. After determining that all contractual obligations for design and testing of the project had been satisfied, **the Foundation** notified LPB that the project may be closed out and returned all of the unexpended funds to LPB. The total amount returned to the LPB totaled \$1,682,600. The balance of the construction-in-progress account, which totaled \$ 793,412, has also been written off during the year ended June 30, 2006.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - Income Taxes:

The Foundation is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 5 - Fixed Assets:

Fixed assets consist of the following at June 30, 2006:

<u>Description</u>	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/06</u>
Land improvements	\$ 258,573	\$ -0-	\$ -0-	\$ 258,573
Building-Avondale	12,754,737	-0-	-0-	12,754,737
Building and Parking Garage-Navy Facilities	56,323,276	-0-	-0-	56,323,276
Building-Advanced Technology Center	9,004,555	-0-	-0-	9,004,555
Construction-in-Progress	1,615,943	-0-	(793,412)	822,531
Office furniture and equipment	6,480,674	-0-	-0-	6,480,674
Equipment acquired under capital leases	10,537,258	-0-	-0-	10,537,258
Tenant Improvements	217,980	-0-	-0-	217,980
Accumulated depreciation	<u>(26,588,352)</u>	<u>(2,301,134)</u>	<u>-0-</u>	<u>(26,889,486)</u>
Net fixed assets	<u>\$ 70,604,644</u>	<u>\$ (2,301,134)</u>	<u>\$ (793,412)</u>	<u>\$ 67,510,098</u>

NOTE 6 - Investments:

Investments consist of the following:

Short-term investments	\$ 3,032,432
Sweep account	8,769
Certificate of deposit	<u>1,458,688</u>
Total	<u>\$ 4,499,889</u>

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - Receivables:

Receivables consist of the following:

Accounts receivable	\$ 956,324
Grants receivable	557,539
Due from affiliates	<u>131,855</u>
Total	\$ <u>1,645,718</u>

Due from affiliates represents amounts due from the University of New Orleans and University of New Orleans Foundation.

NOTE 8 - Other Assets:

Other current assets consists of the following:

Bond issuance costs, net	\$ 15,614
Prepaid expenses and deposits	<u>6,062</u>
Total	\$ <u>21,676</u>

NOTE 9 - Amounts Held in Custody for Others:

Amounts held in custody for others consist of security deposits from building tenants. The tenants are required to pay a security deposit at the beginning of their lease. At June 30, 2006, security deposits totaled \$51,004.

NOTE 10 - Fair Value of Financial Instruments:

The estimated fair value of all significant instrument amounts have been determined by the Foundation using available market information and appropriate valuation methodologies. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

NOTE 10 - Fair Value of Financial Instruments, Continued:

- Cash and cash equivalents and deposits with trustees - **The Foundation** considers the carrying amounts of these financial instruments to be fair value.
- Equipment reimbursement receivable - **The Foundation** considers the carrying amount of the financial instrument to be fair value.
- Investments - The fair value for federal mortgage notes equals the related cost plus amortized discount.
- Bonds Payable and Notes Payable - The fair value was estimated using rates currently available for debt with similar terms and remaining maturities.

The carrying value and estimated fair values of the **Foundation's** financial instruments at June 30, 2006 are as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 599,033	\$ 599,033
Accounts receivable	956,324	956,324
Grants receivable	557,539	557,539
Due from affiliates	131,855	131,855
Investments	4,499,890	4,499,890
Bonds payable	790,000	790,000
Notes payable	7,546,851	7,546,851
Interest payable	471,523	471,523

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - Notes Payable:

On October 19, 1999, the Foundation entered into a Construction Loan Agreement in the amount of \$1,500,000 with the Louisiana Public Facilities Authority. The loan bears no interest with the first annual payment due October 1, 2000 and continuing through October 1, 2014. The payments are conditioned upon the establishment of a \$500,000 operating reserve. At June 30, 2006 the operating reserve totaled \$-0-. Each annual payment shall be equal to 87.35% of the net cash flow relative to the Advanced Technology Center for the immediate preceding fiscal year. The unamortized discount relative to the note totaled \$447,289 at June 30, 2006, which is recorded as a reduction of the note payable and an increase in interest expense.

On October 19, 1999, the Foundation entered into a Loan Agreement with a local bank. The balance of the loan at June 30, 2006 was \$6,704,809. The loan bears an interest rate of 7.25% with annual payment beginning in 2001 and continuing through January 19, 2011.

The following is a summary of notes payable at June 30, 2006:

Louisiana Public Facilities Authority	
Principal amount	\$1,387,984
Unamortized discount	<u>545,942</u>
Sub-total	842,042
Local bank	<u>6,704,809</u>
Total	<u>\$7,546,851</u>

At June 30, 2006, the current and non-current portion of notes payable totaled \$155,840 and \$7,391,011, respectively.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 12 - Bonds Payable:

On October 20, 1999, the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$24,950,000 of Revenue Refunding Bonds (Series 1999) to the **Foundation**. The proceeds of the Bonds were used to refund certain existing indebtedness incurred with respect to financing the construction and equipping of the UNO/Avondale Maritime Technology Center of Excellence and paying the costs of issuance of the Series 1999 bonds. The bond agreement provides for interest on the outstanding bonds at rates ranging from 4.50% to 5.00% per annum. The outstanding bonds, some of which were purchased at a premium and accrued interest, are required to be repaid as follows:

<u>Date</u>	<u>Amount</u>
October 1, 2006	\$ 790,000

Under the terms of the bond agreement, bond funds totaling \$425 have been deposited with a trustee at June 30, 2006.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 13 - Ground Leases:

On May 16, 1997, the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College, acting on behalf of the University of New Orleans (the University) entered into a non-transferable ground lease agreement with the University of New Orleans Research and Technology Foundation, Inc. (the Foundation). The terms of the lease agreement provides that the University will lease a tract of approximately 4.57 acres of land that is located in Jefferson Parish to the Foundation who will in turn develop construct, maintain, operate, manage and lease improvements on such land for the purpose set forth in the Cooperative Endeavor Agreement. The lease agreement is for a term of fifty years with annual rent totaling \$100. At the expiration of the lease, the facilities and all furniture, fixtures, equipment and furnishings permanently affixed to the facilities shall become the property of the University.

On December 1, 1997, the University entered into a non-transferable ground lease agreement with the Foundation. Such agreement was amended on October 1, 1999. The terms of the lease agreement and related amendment provide that the University will lease a tract of approximately 30 acres of certain lakefront property and three acres of land on the University of New Orleans East Campus that are located in Orleans Parish to the Foundation who will develop, construct, maintain, operate, manage and/or lease improvements on such land. Prior to entering into the ground lease agreement with the Foundation, the University, the State of Louisiana and the U. S. Department of Commerce invested \$3,923,191 in the infrastructure of the site, which improved the Foundation's ability to sub-lease the property to tenants. The lease agreement is for a term of ninety-nine years with annual rent totaling \$10,000 provided however, that the rent payments will be offset dollar-for-dollar by property operating expenses paid for by the Foundation.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 14 - Property, Facility and Equipment Lease Agreements:

UNO/Avondale Maritime Technology Center of Excellence

On May 16, 1997, **the Foundation** and Avondale Industries, Inc. entered into a sub-lease agreement which provides for Avondale Industries, Inc. to lease from **the Foundation**, the land located in Jefferson Parish together with the facilities to be constructed on the land, the facility equipment and the right of uninterrupted access to and from all streets and roads adjoining the land.

The terms of the sub-lease agreement during the first twelve years (1997-2008) provides for Avondale Industries, Inc. to pay as rental the sum of \$100,000 per year by September 1 of each year provided that the State has made the annual appropriation provided for in the Cooperative Endeavor Agreement. Beginning September 1, 2009 and for each year thereafter during the term of the sub-lease, rent in the amount of \$100,000 is due and payable by September 1 of each year without regard to the State Appropriation.

Naval Reserve Information System Office

On January 15, 1998, April 14, 1999 and on July 3, 2000, **the Foundation** entered into a sub-lease agreement and amended lease modifications, respectively with the United States of America (the Government) to lease from **the Foundation**, approximately 300,000 square feet of administrative space, 700 hard surface parking spaces, and 15.71 acres of land located at the University of New Orleans Research and Technology Park. The terms of the facility lease agreement provide that the Government will have and hold the noted facility for the term beginning on the date of completion of the facility for an initial ten year term with fifteen individual one year renewal terms with the annual rent for the premises and maintenance services of \$1.00 and \$2,203,259, respectively.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 15 - Related Party Transaction:

University of New Orleans Foundation

The University of New Orleans Foundation provides certain payroll management functions, as well as office space, meeting space, utilities, and use of all office furniture and equipment to **the Foundation** for a nominal monthly fee. **The Foundation** has paid \$531,071 to the University of New Orleans Foundation for the aforementioned services.

NOTE 16 - Concentration of Credit Risk:

The Foundation maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. Balances in excess of FDIC insurance at June 30, 2006 were \$1,811,107.

NOTE 17 - Contingency:

The City property tax assessor has assessed the Foundation with real estate property taxes, interest and penalties for certain buildings owned by the Foundation in the total amount of \$4,746,877 as of August 2004. The Foundation believes that it is entitled to property tax exemptions under present law and jurisprudence due to its non-profit status and due to the use of these buildings to further the non-profit goals of the Foundation. The Foundation is engaged in ongoing discussions with the assessor. If necessary, the Foundation is prepared to litigate this issue. Although, the Foundation believes that it has adequate defenses against the assessment, if not successful, the assessment, interest and penalties may have a significant impact on the financial condition of the Foundation. The Foundation's counsel is unable to predict the eventual outcome of this matter or the potential loss contingencies, if any, to which the Foundation may be subject.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION**

To the Board of Directors
University of New Orleans
Research and Technology Foundation, Inc.
New Orleans, Louisiana

Our report on our audit of the financial statements of the **University of New Orleans Research and Technology Foundation, Inc. (the Foundation)** appears on page 1. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The other supplementary information which is prepared in accordance with accounting principles generally accepted in the United States of America and is not a required part of the financial statements has also been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

August 31, 2006

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/Program Name</u>	<u>Federal CFDA Or Other Number</u>	<u>Pass-Through Entity's Number</u>	<u>Activity</u>
<u>U.S. Department of Defense</u>			
<i>Research and Development Cluster</i>			
<i>Awards From A Pass-Through Entity</i>			
<u>Pass-Through: Science and Engineering Association Navy Human Capital</u>	12.GS-10F-0221K	0128	\$ 583,451
<u>Pass-Through: Agiltron Incorporated Molecular Design of Particle Surfaces</u>	12.F49620-02-C-0060		<u>196</u>
Total U. S. Department of Defense			<u>583,647</u>
<u>U.S. Department Commerce</u>			
<i>Research and Development Cluster</i>			
<u>Direct Award</u> Pontchartrain Restoration Program	11.463		<u>118,560</u>
Total U. S. Department of Commerce			<u>118,560</u>

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/Program Name</u>	<u>Federal CFDA Or Other Number</u>	<u>Pass-Through Entity's Number</u>	<u>Activity</u>
<u>U.S. National Aeronautics and Space Administration</u>			
<u>Research and Development Cluster</u>			
<u>Direct Awards</u>			
The Development of Innovative Advanced Composite Manufacturing Technologies	43.NCC8223		\$ <u>454,429</u>
Total U.S. National Aeronautics and Space Administration			454,429
<u>U.S. Environmental Protection Agency</u>			
<u>Research and Development Cluster</u>			
<u>Direct Award</u>			
Lake Pontchartrain Basin Restoration Program	66.X976433010		<u>711,622</u>
Total U.S. Environmental Protection Agency			<u>711,622</u>
Total Expenditures of Federal Awards			\$ <u>1,868,258</u>

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - Basis of Accounting:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **the Foundation** and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profits Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

NOTE 2 - Sub-recipients:

Of the federal expenditures presented in the Schedule, **the Foundation** provided \$2,414,841 to various sub-recipients under the various grant awards.

OTHER SUPPLEMENTARY INFORMATION

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006

ASSETS

Current Assets

Cash and cash equivalents	\$ 599,033
Investments	3,041,203
Accounts receivable, net	1,645,718
Deferred charges and prepaid expenses	339,215
Other current assets	21,676
Total current assets	<u>5,646,845</u>

Noncurrent Assets

Investments	1,458,687
Capital assets, net	67,510,098
Total noncurrent assets	<u>68,968,785</u>
Total assets	<u>74,615,630</u>

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	840,213
Deferred revenues	338,697
Amounts held in custody for others	51,004
Interest Payable	471,523
Notes payable	155,840
Bonds payable	790,000
Other current liabilities	19,112
Total current liabilities	<u>2,666,389</u>

Noncurrent Liabilities

Notes payable	7,391,011
Total noncurrent liabilities	<u>7,391,011</u>
Total liabilities	<u>10,057,400</u>

NET ASSETS

Invested in capital assets, net of related debt	58,627,305
Unrestricted	5,930,925
Total Net Assets	<u>\$ 64,558,230</u>

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

OPERATING REVENUES

Gifts received by the foundations	\$ 302,961
Federal grants and contracts	1,864,223
State and local grants and contracts	4,366,469
Nongovernmental grants and contracts	12,187
Other operating revenues	<u>3,138,620</u>
Total operating revenues	<u>9,684,460</u>

OPERATING EXPENSES

Other operating expenses	<u>7,206,235</u>
Total operating expenses	<u>7,206,235</u>
Operating income (loss)	<u>2,478,225</u>

NONOPERATING REVENUES AND (EXPENSES)

Net investment income (loss)	246,649
Interest expense	(683,156)
Payments to or on behalf of the university	<u>(2,986,422)</u>
Net nonoperating revenues (expenses)	<u>(3,422,929)</u>
Income before other revenues, expenses, gains, and losses	<u>(944,704)</u>

Extraordinary item - loss on impairment of capital assets	<u>(793,412)</u>
Increase (decrease) in net assets	<u>(1,738,116)</u>

Net assets at beginning of year, restated	<u>66,296,346</u>
Net assets at end of year	<u>\$ 64,558,230</u>

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION**

ORGANIZATION

The University of New Orleans Research and Technology Foundation is a legally separate, tax-exempt organization supporting the LSU System, specifically the following campus: University of New Orleans. This foundation was included in the university's financial statements because its assets equaled 3% or more of the assets of the university system it supports.

During the year ended June 30, 2006, the University of New Orleans Research and Technology Foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes in the amount of \$2,986,422.

Complete financial statements for the University of New Orleans Research and Technology Foundation can be obtained from 2000 Lakeshore Drive, New Orleans, Louisiana 70148.

The University of New Orleans Research and Technology Foundation is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the university's financial report for these differences.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION**

SCHEDULE OF CAPITAL ASSETS

	Balance 8/30/2005	Prior Period Adjustment	Restated Balance 8/30/2005	Additions	*Transfers	**Retirements	Balance 8/30/2006
Capital assets not being depreciated							
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-depreciable land improvements	1,615,943	258,573	258,573				258,573
Construction in progress	1,615,943		1,615,943			(793,412)	822,531
Total capital assets not being depreciated	\$ 1,615,943	\$ 258,573	\$ 1,874,516	\$ -	\$ -	\$ (793,412)	\$ 1,081,104
Depreciable land improvements	476,553	(258,573)	217,980				217,980
Less accumulated depreciation		(15,077)	(15,077)	(2,257)			(17,334)
Total land improvements	476,553	(273,650)	202,903	(2,257)			200,646
Buildings	78,082,568		78,082,568				78,082,568
Less accumulated depreciation	(9,883,557)	15,077	(9,878,480)	(2,020,228)			(11,898,708)
Total buildings	68,199,011	15,077	68,204,088	(2,020,228)			66,183,860
Equipment	17,017,932		17,017,932				17,017,932
Less accumulated depreciation	(16,694,795)		(16,694,795)	(278,649)			(16,973,444)
Total equipment	323,137		323,137	(278,649)			44,488
Total other capital assets	\$ 68,986,701	\$ (258,573)	\$ 68,730,128	\$ (2,301,134)	\$ -	\$ -	\$ 66,428,994
Capital Asset Summary:							
Capital assets not being depreciated	\$ 1,615,943	\$ 258,573	\$ 1,874,516	\$ -	\$ -	\$ (793,412)	\$ 1,081,104
Other capital assets, at cost	96,577,053	(258,573)	95,318,480				95,318,480
Total cost of capital assets	97,192,996		97,192,996				96,399,584
Less accumulated depreciation	(28,588,352)		(28,588,352)	(2,301,134)		(793,412)	(28,989,488)
Capital assets, net	\$ 70,604,644	\$ -	\$ 70,604,644	\$ (2,301,134)	\$ -	\$ (793,412)	\$ 67,510,098

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

NOTES AND BONDS PAYABLE AND OTHER LIABILITIES

	<u>Year ended June 30, 2006</u>					
	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Unamortized Discount</u>	<u>Balance at June 30, 2006</u>	<u>Amounts due within one year</u>
Notes & bonds payable:						
Notes payable **	\$ 8,237,719	\$ -	\$ 144,926	\$ (545,942)	\$ 7,546,851	\$ 155,840
Bonds payable	4,735,000	-	3,945,000	-	790,000	790,000
Total bonds and notes payable	12,972,719	-	4,089,926	(545,942)	8,336,851	945,840
Other liabilities:						
Amounts held in custody for others	51,635	-	631	-	51,004	51,004
Total long-term liabilities	\$ 13,024,354	\$ -	\$ 4,090,557	\$ (545,942)	\$ 8,387,855	\$ 996,844

** One of the notes payable is non interest bearing, which resulted in a discount being recorded and amortized annually.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF BONDS PAYABLE

Issue	Date of Issue	Original Issue	Outstanding 6/30/05	(Redeemed) Issued	Outstanding 6/30/2006 *	Interest Rates	Outstanding 6/30/06
UNO Research & Technology Foundation Louisiana Local Government	10/20/99	24,950,000	4,735,000	(3,945,000)	\$ 790,000	5.00%	\$ 18,763

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF NOTES PAYABLE

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Principal Outstanding 6/30/05</u>	<u>(Redeemed) Issued</u>	<u>Principal Outstanding 6/30/2006 *</u>	<u>Interest Rates</u>	<u>Interest Outstanding 6/30/06</u>
Louisiana Public Facilities Authority (LPFA) LPFA Unamortized Discount ***	10/19/99	1,500,000	\$ 1,387,984	-	\$ 1,387,984	0%	\$ -
Whitney Bank	10/19/99	7,350,000	\$ 6,849,735	(144,926)	\$ 6,704,809	7.25%	\$ 14,853
Total		\$ 8,850,000	\$ 8,237,719	\$ (144,926)	\$ 7,546,851		\$ 14,853

*** The Louisiana Public Facilities Authority note is a non interest bearing note with an unamortized discount balance of \$545,942.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

Schedule of Bonds Payable Amortization

Fiscal Year <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 790,000	\$ 18,762	\$ 808,762
TOTAL	\$ 790,000	\$ 18,762	\$ 808,762

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF NOTES PAYABLE AMORTIZATION

<i>Fiscal Year</i>				
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2007	\$ 249,590	\$ 579,271	\$ 828,861	
2008	260,118	562,146	822,264	
2009	274,089	542,056	816,145	
2010	287,801	520,666	808,467	
2011	302,553	502,642	805,195	
2012	317,272	483,035	800,307	
2013	335,427	460,342	795,769	
2014	436,746	411,647	848,393	
2015	279,826	363,739	643,565	
2016	300,159	343,406	643,565	
2017	323,925	319,640	643,565	
2018	348,554	295,011	643,565	
2019	375,056	268,508	643,564	
2020	409,821	240,644	650,465	
2021	434,209	209,355	643,564	
2022	467,224	176,340	643,564	
2023	502,950	140,815	643,765	
2024	540,712	102,852	643,564	
2025	582,089	61,476	643,565	
2026	<u>518,730</u>	<u>17,574</u>	<u>536,304</u>	
TOTAL	<u>\$ 7,546,851</u>	<u>\$ 6,601,165</u>	<u>\$ 14,148,016</u>	



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
University of New Orleans
Research and Technology Foundation, Inc.

We have audited the financial statements of the University of New Orleans Research and Technology Foundation, Inc. (the Foundation) as of and for the year ended June 30, 2006, and have issued our report thereon dated August 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Internal Control Over Financial Reporting

In planning and performing our audit, except for the functions performed at Avondale Industries, Inc. in connection with reviewing and approving invoices for payment of computer programming, labor costs billings and travel costs, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. For the internal control categories at Avondale Industries, Inc., internal auditors will obtain an understanding of the design of relevant policies and procedures, will determine whether they have been placed in operation, and will assess control risk prior to June 30, 2006. Furthermore, the scope of our work did not extend to these internal control policies and procedures established and maintained at Avondale Industries, Inc.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
(CONTINUED)

This report is intended solely for the information and use of the Board of Directors, management and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor for the State of Louisiana as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

August 31, 2006

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
University of New Orleans
Research and Technology Foundation, Inc.

Compliance

We have audited the compliance of **University of New Orleans Research and Technology Foundation, Inc. (the Foundation)** with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2006. **The Foundation's** major federal program is identified in the summary of independent auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to major federal program is the responsibility of **the Foundation's** management. Our responsibility is to express an opinion on **the Foundation's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards; issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **the Foundation's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **the Foundation's** compliance with those requirements.

In our opinion, **the Foundation** complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of **the Foundation** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **the Foundation's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Directors, management, the Legislative Auditor of the State of Louisiana and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

August 31, 2006

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE I - Summary of the Independent Auditors' Results

1. Type of report issued on the financial statements. Unqualified Opinion.
2. Did the audit disclose any reportable conditions in internal control. No.
3. Were any of the reportable conditions material weaknesses. No.
4. Did the audit disclose any noncompliance which is material to the financial statements of the organization. No.
5. Did the audit disclose any reportable conditions in internal control over major programs. No.
6. Were any of the reportable conditions in internal control over major programs material weaknesses. No.
7. Type of report issued on compliance for major programs. Unqualified.
8. Did the audit disclose any audit findings which the independent auditors are required to report under OMB Circular A-133, Section 510(a). No.
9. The following is an identification of major programs:

CFDA or
Contract Number

Various

Name of
Federal Program

Research and Development
Cluster

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2006**

SCHEDULE I - Summary of the Independent Auditors' Results, Continued

10. The dollar threshold used to distinguish between Type A and Type B Programs, as described in OMB Circular A-133, Section 520(b) was \$300,000.
11. Did the auditee qualify as a low risk auditee under OMB Circular A-133, Section 530.
No

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

SCHEDULE II - Financial Statement Findings

None noted.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2006**

SCHEDULE III – Findings related to Federal Awards

None noted.